THE VICE-CHAIRMAN (SHRI SANTOSH BAGRODIA): Okay. So, we take up the Industrial Development Bank (Transfer of Undertaking and Repeal) Bill, 2003.

GOVERNMENT BILLS

The Industrial Development Bank (Transfer of undertaking and Repeal) Bill, 2003

THE MINISTER OF FINANCE (SHRI JASWANT SINGH): Sir, I move.

> "That the Bill to provide for the transfer and vesting of the undertaking of the Industrial Development Bank of India to, and in, the Company to be formed and registered as a Company under the Companies Act, 1956 to carry on banking business and for matters connected therewith or incidental thereto and also to repeal the Industrial Development Bank of India Act, 1964, as passed by Lok Sabha be taken into consideration."

The question was proposed.

SHRI PRANAB MUKHERJEE (West Bengal): Sir, can we adjourn for lunch, now, and take it up after that because only five minutes are left. In between, the parties can give the names of their speakers. So, we can adjourn for lunch.

THE VICE-CHAIRMAN (SHRI SANTOSH BAGRODIA): All right, the House is adjourned for lunch till two of the clock.

The House then adjourned for lunch at fifty-three minutes past twelve of the clock.

The House reassembled after lunch at three minutes past two of the clock, THE DEPUTY CHAIRMAN in the Chair.

THE DEPUTY CHAIRMAN: Mr. Murli Deora. He is not present. Now, Shri Prithviraj Chavan.

SHRI PRITHVIRAJ CHAVAN (Maharashtra): Madam Deputy Chairperson, I am speaking on the Industrial Development Bank (Transfer of Undertaking and Repeal) Bill, 2003, which seeks to corporatise IDBI into a new entity. This entity would be a bank for all practical purposes. It

will not get licence from the Reserve Bank of India, but it will be licensed by the Government. We are creating a new kind of financial institution, and we are not very clear as to what the Government proposes to do with this new entity. There has been a lot of confusion. Various spokespersons of the Government have been talking about different things; reverse merger with the IDBI Bank, merger with some public sector bank, and there are even rumours of a possible merger with a private sector bank. There has been no clarity at all on how the Government wants to restructure the IDBI. There is no doubt that the IDBI needs to be restructured. We support it. The IDBI was started as a development financial institution, particularly, for industrialisation of particular infrastructure sectors of the industry. It was a policy-based, directed, long-term lending institution, the likes of which are present in almost all the developed countries and developing countries. But ever since liberalisation, the economic reforms of 1991, the IDBI was starved of various low-cost funds. Even the income-tax exemption was withdrawn. And, as a result, the cost of borrowing became high, and over a period of time the IDBI became unviable. That is why the logic for restructuring has come. But do we not need a development finance institution? Madam, my point is that we have already done away with IFCI, ICICI— through a reverse merger, it has become a universal bank, a private bank— and we are now on the way to finish IDBI also.

Madam, we have serious concerns. The new Economic Policy, the economic reforms which were launched had one major features and that was doing away with the Industrial Licensing Policy. What has happened is, if you look at the experience of the last 12 years, you will find that absolutely no funds are going to under-development regions. Naturally, if no funds go, no investment takes place, no employment is generated and while it may be nice to talk about the market forces taking their own course, the stark reality is, no new employment is getting generated in almost 60 per cent of India, the hinterland States, the North-Indian States, the Hindi belt. And, therefore, it is essential that the Government retain a directed policy-based long-term lending institution, which can give some low-cost funds—you may call it subsidy—so that they are in a position to direct some of these investments into these areas. Also, we need to direct investment into industries, sunrise industries, which are risk-based and which need to be promoted, in the overall context of global strategic scenario. We might want to

develop strategic industries which may not be very highly remunerative at this point. We may want to get into some sunrise areas and we need to help some enterpreneurs who want to go into those areas. If we eliminate the development finance character of this institution, then the Government will not have any directed policy-based organisation with them. Now I realise that it has been said by the Finance Minister that the bank will retain its development finance character and that was a major recommendation of the Standing Finance Committee. But just paying lip service, and saying, 'yes, yes we will retain its development character' is not enough. The Government can direct some policy-based lending only if the banks have low-cost funds. In a normal play of market forces, there is no way that any banker would risk going to a backward area or risk an industry which does not appear to be very highly remunerative in the beginning, but for strategic reasons, it may need to be promoted. So primary assurance that we would like from the Government is that they will arrange some low-cost funds for IDBI. Now, the Government has said that although IDBI will be a bank, it will not require a licence from RBI but it will get a licence from the Government and they will not be required to adhere to section 24 of the Banking Regulation Act which makes it mandatory to retain certain amount of its deposits, 25 per cent of it, into Statutory Liquidity Ratio, and Cash Reserve Ratio, SLR and CRR. But even if this exemption is given, it will be only for five years. The amount of money that will be required to meet this obligation would be to the tune of Rs. 25,000 crores. It may appear to be Rs. 15,000-16,000 crores now, but, over a period of time, with new deposits, the amount of money that will be required to meet this statutory prudential norms of the RBI will be about Rs. 25,000 crores. That means, we will have to make provision of something like Rs. 5000-7000 crores every year, even though you have a period of five years because, at the end of five years, you cannot get all this amount automatically. The IDBI has a huge bad-debt portfolio of about 14 per cent plus amounting to, I think, Rs. 16,000 crores, and that is not counting 'stressed-assets'. These are purely 'bed debts'. But there are 'stressed assets' which are not included in the bad debts, assets like the famous lending to the Dabhol power project where the IDBI was a lead banker. In that case Rs. 2500 crores are not yet being counted as 'bad debts'. But they care called 'stressed assets'. But, we all know that they are gone; they are bad debts. They cannot be recovered. There are many such stressed assets. So, the

actual bad debt position may be the far worst than what has been indicated. Moreover, this is based on 180-day norm. And, if you shift to 90-day norm, again the bad debt portfolio will be increased much more. Therefore, unless and until the Government recapitalises the IDBI upfront, I do not think any restructuring is going to be viable. The RBI, in its evidence before the Standing Committee, had indicated that the Government plans to recapitalise the IDBI to the amount of Rs. 8000 crores. Nowhere has this figure been officially given by the Government as to what is the amount of recapitalisation that they intend to do, because without this recapitalisation, none of this restructuring would work out, and ultimately, we are afraid that a situation would come when you just want to give this bank away to some large private sector entity just like you are planning to give away public sector industries to certain favoured large private sector houses. Therefore, we also insist that while the IDBI have a Government equity of about 58 per cent, it can be brought down to 51 per cent, but, in no case, can the IDBI be allowed to be sold to a private sector through a merger or through some other route. No; it will have to remain as a public sector entity with certain controls with the Government of India of the day to direct policy lending. But no clear answers have come.

Now, Madam, we would like to get an assurance from the Government. Even if the Government tells us today that it is a public sector bank, ultimately, the newly-structured entity be a public sector bank, but will your proposed Bill, which is pending, which wants to bring down the equity in public sector banks from a minimum of 51 per cent to 33 per cent, apply to this new banks? Why I am saying this is because while you may agree to 51 per cent today here, in the House, in order to get the Bill through, but tomorrow, if the House passes that Bill— The Congress Party will oppose the Dilution of Equity in the Public Sector Banks Bill—which will bring down the equity down to 33 per cent, but suppose the House may pass that Bill, what will happen to your assurance of 51 per cent? How do you really want to run the bank? Is it that you say thai it is not going to be a retail bank? There are only about 50 odd branches in the whole country, because earlier the IDBI's role was only to give term loan. Now, if you want to get into retail banking, you want to become a bank like any other bank, then you will have to have hundreds of branches. Will you be competing with the IDBI Bank,

which is an entity, which is a child of the IDBI? There is a talk of reverse merger. If you reverse merge, then the new entity will not remain a public sector bank. There is no clarity in that regard. You are not telling us what exactly the Government plans to do, and how does the Government want to restructure the entity in the next few years. There is nothing about low cost funds also.

Then there are a couple of smaller institutions which are the subsidiaries of the IDBI, namely, the IDBI Capital, the IDBI Finance and the IDBI Housing, etc. We would like to know whether this new bank will get into retail financing of housing and car loan, and get away from its primary purpose for which the Parliament had set it up a long time back, and that was to finance industrialisation of the country. Now, we know that this is the wisdom from IMF and World Bank, where the IMF and the World Bank's best practices for restructuring the financial sector, ask you to move away from industrialization and say that all developing countries should de-emphasize industrialisation and emphasize consumer-lending-housing loans, loans for cars, loans for washing machines and others, and allow the while goods to come from the developed countries. Therefore, if you follow that path and de-emphasize industrial investment, then, I am afraid, you are playing along with somebody else's interests and policy guidelines, and it is not in the best interests of the country.

There are other factors like the salary of the Director and the Managing Director, Right now, the IDBI, as a Government-run institution, has control over this aspect, but the moment you convert it into a Universal bank or some such other institution, the salaries would go over the roof, say, to rupees one crore per year or rupees two crores per year. Already, there is a proposal before IDBI to increase the remuneration to Rs. 36 lakhs per annum. We could very well debate the issue and say that the top people in the industry need to be remunerated adequately in order to get the best talent. But is that the sole purpose of restructuring it? One doesn't know.

Now, there are issues, specific questions that we have on this Bill. We need assurances, very specific assurances, from the Government as to how it proposes to continue with the developmental character of the Bank. Without low-cost funds, without permanent sources of low-cost funds, without income tax exemption, without some exemption from

the source of SLR bonds, which can be very low-interest SLR bonds. Unless some special provisions are introduced, the cost of capital will not go down. Therefore, the Government will not be able to do policy-based lending without low-cost bonds. No assurance is forthcoming as to what the Government wants to do in this matter.

Madam, the Act proposes that IDBI would now be a company, which means that it would be regulated by the Companies Act, that the regulations of the 1998 Act would apply to it with some exepmtions. We are not exactly sure as to how those exemptions shall come into practice later on. Also, the Central Government will have the powers to suspend any section of the Banking Regulation Act. So, again, on the one hand, you are talking about liberalisation, and on the other, you are talking of the special powers of the Government to appoint bureaucrats as heads of the institution, and not professionals. The most important part of restructuring IDBI should be, first of all, to give autonomy and professionalize it. But if the Government retains all the powers, again retired IAS officials would be appointed to the top positions and not professionals. And then, it would be like the Dhabol case; there were directives to lend to the Dhabol Project even when IDBI's preliminary assessment had not recommended it. Will that continue? We want a clear, transparent guideline as to how the policy-based development role will be played by IDBI, not on the whims and fancies of the Minister occupying the chair on a particular day.

Now, Madam, you would be surprised to know, that almost all the developing countries—whether it is the United States, whether it is Japan, or West Germany— have an Industrial Policy-based lending institution, development finance institution; they have not done away with these kinds of bodies. But we are in a great hurry to convert it into a bank and then possibly, hand it over to some private sector persons.

These are some of the questions that we have raised here. I am sure the hon. Minister, in his reply, would assure us, firstly, that the Government will retain its ownership, no matter what; and secondly, that the dilution of the equity in public sector equity will not apply to this entity at all, that the exact amount of capitalisation that RBI, the Government of India will have to make to sustain this, has to be answered. And also, whether the character of the Bank will completely change to housing finance, car finance, and other such lucrative areas, and vorget or give up the industrial

development part of it, this needs to be informed. Consumer culture is all right. There are many other banks, which are facilitating consumer lending. IDBI cannot also get on the bandwagon just to turn around. Let us know as to what is the exact portfolio of bad debts. What are the stressed assets? What will be the level of bad debts if you accept the Bank of International Settlement's 90 days prudential norms for recognising bad debts? What will then be the bad debt portfolio? How do you expect to clean it up? These are some of the concerns that we have now. I am sure, we want to restructure IDBI because if it is not restructured, it will sink; it will die. At the same time, we want to be assured by the Government that, whatever they have promised, development finance character will be retained. How exactly does he plan to do that? Please assure us and we will support its restructuring proposal only after you assure us.

श्री कृपाल परमार (**हिमाचल प्रदेश**) : धन्यवाद , उपसभापति महोदया । मैं औद्योगिक विकास बैंक (उपक्रम और अंतरण और निरसन) विधेयक , 2003 के पक्ष में बोलने के लिए खड़ा हुआ हूं ।

महोदया , यह विधेयक सरकार को भारतीय औद्योगिक विकास के उपक्रम का बैंककारी कारोबार करने के लिए एक कंपनी के रूप में रजिस्टर करने का अधिकार देगा । वर्ष 1964 में आई.डी.बी.आई. के गठन के बाद जिस का उद्देश्य उस वक्त उद्योग को लंबे समय तक वित्तीय सहायता उपलब्ध कराने के लिए किया गया था , मगर 1970 के दशक में बैकों का राष्ट्रीयकरण हुआ तो बैंको को पूंजी सहायता की अनुमति मिली और आई.डी.बी. आई. जैसे संस्थानों को लंबे समय तक वित्तीय सहायता देने के लिए काम करने को कहा गया । उसी के चलते इस बैंक की हालत बिगड़ती गयी । कई बार ऐसा भी हुआ कि पिछले दशकों में कई कारणो की वजह से प्रोजेक्ट असिस्टेंस के कारण यह बैंक घाटे में चली गयी । महोदया , पिछले दिनों जब स्थाई कमेटी में इस विधेयक के बारे में चर्चा हुई तो उस वक्त इस का घाटा 15 हजार करोड़ रूपए था जो बढ़कर 17 हजार करोड़ रूपए हो चुका हैं । इसलिए मेरा निवेदन है कि इस बैंक को जल्दी – से जल्दी इस संबधं पान से छुटकारा दिया जाय ताकि वह दूसरे बैकों के साथ प्रतिस्पर्धा में आकर अपने पैंरों पर खड़ा हो सके ।

महोदया, आज स्थिति बदल गयी है और दूसरे बैंक दोनों तरह के कर्ज़ो को देने के लिए स्वतत्र हैं, लेकिन आई.डी.बी.आई. पर अभी भी यह पाबंदी लगी हुई है । इस कानून के निरसन के बाद इस बैंक को यह आधिकार मिलेगा कि वह दूसरे कॉमर्सियल बैंकों की तरह प्रतिस्पर्धा में आकर अल्पकाल के कर्जे मुहैया कराने में स्वतंत्र होगा । जिस तरीके से दूसरे बैंक छोटे कर्ज़े देकर लाभ कमा रहे हैं , यह भी लाभ कमाकर अपने पैरों पर खड़े होने का प्रयास करेगा ।

इन्हीं शब्दों के साथ मैं माननीय मंत्री जी से धन्यवाद करता हूं कि वह आई.डी.बी.आई. को इस कानूनी जंजाल से छुड़ाने के लिए यह विधेयक लेकर आए ताकि यह बैंक आजादी से दूसरे बैंको के साथ प्रतिस्पर्धा कर के आगे बढ़े। महोदया, मैं इस विधेयक का समर्थन करता हूं। धन्यवाद।

SHRI PRASANTA CHATTERJEE (West Bengal): Madam, I oppose this Bill in its present form and it will really lose the development character of this bank as has been promulgated in this Industrial Development Bank Bill, 2002. Now, we all know that IDBI was created in 1964 and later it became a subsidiary of the RBI when the Central Government subscribed to its entire share capital. After Independence, our country moved towards nationalisation of banking sector and some other sectors of our economy. Now, the situation has completely changed and in order to serve the interest of corporate sector, our economy is being surrendered to the random privatisation—I use the word 'random privatisation'—of even our key sectors, profit-making sectors. And this has been debated here. In this present Bill, IDBI will be converted into a commercial bank and the Parliament will have no accountability. It is moving towards the World Bank model, the IMF model, and it will be disastrous for our economy, the economy of a Third World country. It has been pointed out by my friend, on that side, that what is the experience of other countries. In Thailand, Malaysia, South Korea, and even in some countries of Europe. There is a provision for the Government support for project financing at low cost lending process and subsidy. We may take the experience of Japan, where the Development Bank of Japan provides long-term low-interest loans. But here, the Government is weakening the Central public sector undertakings, even the profit-making enterprises, and we are eroding that side, the self-reliant base of our country. And, without the Government support, how can the development financing stand, how can you withhold the pressure of multi-nationals? In India, in the present era of globalisation, some authors are advocation the concept—go to the market, small business to compete with the multi-nationals, poor peasantry to compete with highly-subsidised foreign agricultural goods. And, if we go through the Standing Committee reports, they said that the Government should retain 51 per cent stake at all times and there should be no retrenchment. Our Party, CPI(M), demand that 51 per cent stake, which was also recommended by the Standing Committee, should be maintained. We still stick to that demand. Standing Committee

recommended that there will be no retrenchment and in the present Bill, they have put the word, voluntary retirement*. Retirement is all right, but the Standing Committee has observed that this will not serve any useful purpose. I quote, "Teeming with millions of unemployed, industrially still backward and more so, in the context of acute recessions and that the proposed move of the Government to convert IDBI into a Banking Companies and Regulations Act, would serve no useful purpose." The Committee further observed that this would only add one more bank to the commercial banks in the country. Just now in a special mention I have mentioned that UNDP, in its recent report, has reported that India is the home of the largest number of hungry people. We are not against reform. Do the reforms guarantee a job to the unemployed, guarantee food to the hungry people? what section is being benifited? In our country, what is the gap between the rich and the poor people? Is it coming down? In the public sector alone, 6.5 lakh people lost jobs in recent years. Vacancies are not being filled up, even in the Government sector. The globalisation will not serve the interest of all the business houses. Instead, it will serve the interest of monopoly houses, multinationals. Not all the business houses. It has been mentioned here that the IDBI became sick; But How? Huge amounts of loan were not refunded, not repaid. ENRON have not repaid, but there is no answer to the huge Non-Performing Assets.

Now, we oppose the Bill in the present form. In the Bill, it has been mentioned, indicated while dealing with the provisions in respect of officers and other employees of development banks who will be employed with the undertaking, vested in the company by virtue of this Bill, shall hold office at the same remuneration, same terms and conditions, etc. that is all right

But why is the 'voluntary retirement' included while framing this Bill. Retirement is okay. I would like to state the recent example of UTI. They have a staff of 2,400 people. The officers were under constant pressure of the voluntary retirement. There was resentment. Then, the order was withdrawn, I understand. But, after the 4th of this month, I am told, the earlier order of the 'voluntary retirement' has been reinstated.

I do not know whether the recent modified order has any bearing with the recent election results. While opposing this Bill, I would again like to

state, that I demand on behalf of our party that the 51 per cent stake of the Government should be maintained. With these few words, Madam, I thank you and conclude my speech.

SHRI P.G. NARAYANAN (Tamil Nadu): Madam, Deputy Chairperson, the Industrial Development Bank of India was established in 1964 under the IDBI Act, 1964 to provide credit and other facilities for the development of industry in various forms, and, to function as the principal financial institution for coordinating the working of the institutions engaged in financing, promoting or developing industry, and, assisting the development of such institutions. Madam, initially, IDBI was set up as a wholly-owned subsidiary of the Reserve Bank of India. In 1976, the entire share holding of the IDBI was transferred to the Central Government. Subsequently, the IDBI Act was amended in 1994, which, *interalia* enabled the IDBI to enlarge its shareholder's base and access the capital market for resources. It is noteworthy to mention that due to enlargement of shareholder's base, the shareholding of the Central Government has become 58.5%.

The flow of funds to financial institutions from Reserve Bank of India's National Industrial Credit Long Term Operations and allocation of Statutory Liquidity Ratio bonds dried up and it became necessary for the financial institutions to raise funds mainly from the markets.

The Narasimhan Committee suggested that the financial institutions should convert ultimately into commercial banks or non-banking financial companies. The Khan Working Group set up by the Reserve Bank of India also recommended that Development Financial Institutions should be allowed to convert into banks at the earliest.

The present Bill seeks to provide the repealing of IDBI Act, 1964 and transfers the undertaking to the company to be formed under the Companies Act, 1956. Further allowing such company to carry on banking business in accordance with the provisions of the Banking Regulation Act, 1949.

Before implementing the provisions of this Bill, the hon. Finance Minister should address the apprehension of the All India Industrial Development Bank Employees Association and the issues raised by the IDBI Workers Union and other economists *vis-a-vis* the implications of the proposed amendments.

They are of the view that new corporate entity will not be viable without the Government's support and many economists also substantiated this view, the IDBI should be allowed to function as a Development Financial Institution in the national interest as it is the last such institution in the country.

We should analyse their demand in comparison with other countries. All developed and developing countries world-wide do have such.institution for development of industry and employment generation.

Further, Development Financial Institution is not profit-oriented; IDBI has got only a social objective. The social objective was to develop industries, generate employment and distribute industrial development equitably in different States of the country.

It is noteworthy to mention that Japan has created a Government-owned Development Financial Institution in 1999 to contribute to the implementation of economic and social policy.

Their reasonable contention is social objective which is not possible for a company or a commercial bank which is mainly profit-oriented and our country is left out with no Development Financial Institution.

The other causing concern is if IDBI becomes a banking company, its employees may be required to possess specific professional skills and they may also be required to be posted in new locations as the bank expands its network. Some employees may not be able to cope up with such situations or requirements. This would compel them to opt not be in the service of the company, because in pursuance of this provision of the Bill, it will be considered as if they have resigned. My humble suggestion is that a special VRS package should be launched for the present employees fo IDBI, so that no employee of any category is aggrieved due to its conversion into a banking company.

Before implementing the provisions of this Bill, the above mentioned apprehensions of various quarters need to be addressed in clear terms. With these observations, I conclude.

SHRI PREM CHAND GUPTA (Bihar): Thank you, Madam Deputy Chairperson. Madam, this Bill is regarding repeal of the IDBI Act, 1964. As we are all aware, IDBI was established in 1964 under the IDBI Acts 1964. Madam, the idea of establishing IDBI was to create an organisation,

a financial institution, which would help and which would ensure establishment, promotion and development of industrial projects, infrastructure and other financial institutions involved in industrial developmental activity. Madam, till 1990 the main objective of IDBI was industrial and infrastructure financing. Till then, everything was going on all right. But in the mid 90's the IDBI lost this focus and entered into financing of unviable projects, by entering into stock and equity market directly or indirectly, purchase of shares from the stock market and thereby leading to a loss of almost Rs. 15,000 crores. Madam if you see IDBI's total investments so far in various projects, it has been to the tune of hundreds of crores of rupees. And it was well on a track to achieve the objective for which it was established, but because of the wrong decision of the management—the board fo the IDBI—it lost this focus. And only after this bad investment, IDBI came into crises. Madam, most of the developing or developed countries, have their own financial institutions which are engaged in financing of industrial projects. Let us take the case of Japan, OECF is there; in Germany, GDF is there; in the UK, the Commonwealth Development Fund is there; in Canada, Canadian Development Fund is there. The USA has its own industrial promotion banks and financial institutions. Singapore and Malaysia are also good examples. Why do we want to give up or destroy an institution, which is involved in industrial activity, the sole objective being the developmental bank? Now, it is being planned to be converted into a financial company. Madam, we have a lot of social objectives and obligations to be achieved, which commercial banks cannot achieve. The ICICI was one of the developmental institutions engaged in financing of industrial projects.

But we converted ICICI also into a commercial bank. And, now, what are they doing? Issuing credit cards! They are giving loans against vehicle finance. So, this is what the activity remains once a financial development institution is converted into a commercial bank. As the damage is already done, and IDBI being not in a very healthy shape, my question to the hon. Finance Minister is how he will ensure that the IDBI, after being converted into a commercial bank or a banking institution or banking company, does not engage in activities like issue of credit cards or financing of motor vehicle loans. How would he ensure that industrial financing remains its main objective? If that precaution is taken, if the objective is made clear, that the IDBI, even after its conversion into a

commercial bank, would stick to this industrial financing, my Party would have no objection to it.

SHRI S. VIDUTHALAI VIRUMBI (Tamil Nadu): Madam Deputy Chairperson, the Bill before us is connected with development of financial institutions for promotion of industries. There are already 27 banks. It is going to be the 28th bank. Already, 27 banks are doing transactions in banking. It will be the 28th bank. We are having the concept of mixed economy. It was the vision of Pandit Jawaharlal Nehru. This type of Development Banks emerged in India during the tenure of late and lamented Shri Lal Bahadur Shastri. It was established 39 years back. After eleven years of its establishment, it was converted into a Government-owned financial institution. Earlier, it was one of the subsidiaries of the RBI. Ten years before, exactly in 1994, another Amendment was passed to enable the Bank to raise its equity from the public. After that, within a short span of time, from 1994-2000, the Government holding has come down from cent per cent ot 58 per cent. Now, it is going to be corporatised. So far, its role is different from the other banks. The purpose for which it was intended to be established would be defeated if it is corporatised. Which organisation or institution bank is going to replace that position? This, of course, is not made clear. Madam, if they want to say that the efficiency has to be improved, the working of the institution has to be speeded up, I agree to that. Have they improved it? Yes. In what way? Even in the first half of the current financial year, they have shown a profit of nearly Rs. 2,600 crores. Within six months! Therefore, they have tried their best. Is there NPA? Yes, NPA is there. NPA is not a new phenomenon for IDBI. I would like to know whether they have been given any opportunity to find out a way, when they found that the average receipt of return is less than the average cost of the borrowing. What is the avenue available to them? The problem is that, first of all, previously the managerial autonomy was not there. There was no operational flexibility. Without any autonomy in managerial matters, without any operational flexibility, how can they expect it? Then, a question will be raised. How did I come to the conclusion? There was no managerial autonomy. I want to know whether the IDBI was able to decide or whether they have been functioning under the same conditions that were available to the other banks. Is it not a fact that there are two different systems of TDS? Is there any

difference in the system of tax deduction at source between other baks and the IDBI? Will it be the same once it is corporatised, after the moratorium is over? Is it not a fact that we are bound to create SLR as well as CRR? How much is the amount that you have to pay for that? If they have to keep SLR and CRR at the same level as the other banks do, who will come forward for the mobilisation of resources? If the Government comes forward, with the same amount, the Government can clear the NPA and it can continue as a financial institution. Why is this financial institution necessary? Because the development of industry is necessary for us. We have less capital. Therefore, in our country we have less investment When there is less investment, there is less production. When there is less production, there is less profit When there is less profit, there are less savings. When there are less savings, again there is less investment This is a vicious circle. To break this circle, some sort of a mechanism is necessary. That mechanism was provided by the IDBI. I would like to know whether any other institution is going to replace it Are there any such organisations in other countries? Yes, in Korea, the Korean Development Bank is there; in Germany, the KFW Bank is there. It is only for industrial development and not for any other purpose. The Development Bank of Japan is doing the same job what the IDBI has done so far. The European Investment Bank is there. In Thailand, the Industrial Finance Corporation is there. The Industrial Finance Corporation in Thailand, the KFW Bak in Germany, the Korean Development Bank in Korea and European Investment Bank in Europe and the Development Bank of Japan in Japan are doing what the IDBI has actually done in India so far. I don't know the reason or the rationale behind the idea to convert the IDBI into a bank. We want to know whether the administration has raised the question of autonomy.

When the post of CMD, that is, the Chairman-cum-Managing Director, is vacant, I find that there is no mechanism to-fill up the post automatically. There is no mechanism by which post is filled up automatically, when a person goes out of the bank. Why is there no such mechanism? Is it not a fact that the posts of Directors with special knowledge and professional experience are lying vacant without replacement for some time? Why is there no mechanism to fill up the posts automatically when people vacate them? Therefore, with these constrictions, they can't have short-term maturity deposits which the

banks are enjoying. In the case of IDBI, the short-term maturity deposits, which the banks are enjoying, are not allowed. Therefore, there are some lacunae. They have been working with these lacunae. In spite of that, they were able to provide it hundreds and thousands of crores of rupees to the development of Industries. Now it is going to be a bank. I want to know: What is the Government's holding in the bank now. Suppose, it is one among other scheduled banks. According to the Banking (Regulations) Act, is the Government not bound or the RBI administration not bound to reduce the holding from more than 50 per cent to 30 per cent? I would like to know whether we could keep the equity without the special permission of the Reserve Bank of India. In case the Reserve Bank of India gives special permission to the Government to hold more equity in the IDBI, will it not become a precedent for other banks? I want to know under the Banking (Regulations) Act how much percentage is given. If it becomes a company, you can have only 26 per cent holding. Under the Banking (Regulations) Act, you can have up to 30 per cent holding. Then how can they have 50 per cent holding? If the holding of the Government comes down to 30 per cent, what kind of hold will you be having in the management decisions? It is another way of privatisation. Once it is privatised, I feel, some industrialists, in case they make a cartel, will take advantage of it. That is my feeling. Therefore, it is a very important issue. If they have it without managerial autonomy, without operational felxibility, without facility for the short term majority deposits, without the facility of TDS as enjoyed by other people and without proper Directors, what will be the position? What is the recommendation of the Planning Commission? Have they accepted it? What do the other reports say? What does the report of the Committee on Public Undertakings say? Have they supported it to corporatise? What is the suggestion of the Department of Industrial Policy and Promotion? What is the suggestion of the Standing Committee? What is the suggestion of the Committee on Public Undertakings? What is the suggestion of the Planning Commission? If we have decided to corporatise it, my humble suggestion is whether it is working as an institution or as a bank, it should only be kept for the development of industries. This development role should not be taken away from it. It is in the interest of the nation. We should not take away the development role, project developments and project financing from it. If it is done, it will be doing the work of purchasing consumer goods like cars, washing machines and televisions. If we do like this, it will not

serve the purpose. Already, there is the problem of unemployment. We had seen a clear demonstration of unemployment problem in Assam and Bihar. If we want that there be peace through out India and there is no problem of law and order, the youth should be employed first, particularly the educated youth. For creating employment, we want industries and for industries we want investment. We cannot expect all the investment from other countries. My suggestion is that there should be an institution. Whatever role is being played by the IDBI, that role should be played either by the IDBI or by some other institution; otherwise, it will become a pawn in the hands of private people. I hope the Government will take a decision about it and see to it that the original position, the original role for which it was established in Lal Bahadur Shastri's tenure remains forever. Thank you.

SHRI ABANI ROY (West Bengal): Thank you Madam. If you look at the nomenclature of the IDBI, it clearly tells us about its role. It is the industrial development bank. Now, the present Government is surrendering itself to the multinationals and is guided by the diktats of the World Bank and others. It seems that the Government do not want to build up the industry and is not concentrating on the development of the country. The only thing that the Government knows is to go to the market and be commercial or privatise our units so that money belonging to India goes to the other people and they utilise that money in their own way. If we don't develop our own bank and if we would not put our own money in our established banks, how can we run the Government in future? it is a question to be looked into. Madam, day-in-and-day-out, you are selling the public sector units to the private people. Everywhere there is a problem of unemployment. There are a good number of unemployed people here. Side-by-side, we are creating another problem by giving it out to private people. As a result, unemployment has become a very big problem. And, the people, who are employed, are losing their employment. If it is our motto, then, it is not just a question of developing the industry, but we have to think about how are we going to develop the country. If we give all things to others, we will be dependent upon others' economy. We will be dependent on others' help and we will ruin our economic sovereignty. This is the point we have to keep in mind every time before we do something. We have been talking about this every time. And, due to bad control, all public sector units, particularly in the financial sector,

are losing day-after-day. The Government is giving more money to some sick industries or to some industrial people who have not returned it. And, in exchange, we are, once again, doing the same thing and we are handing it over to the private sector! I think the Government should not take this risk of transferring all the banks and financial institutions to the private sector. So, I request the Government not to sick on this Bill. I oppose this type of Bill, which has been brought before us by the Government in the interest of the country and in the interest of our economic sovereignty. I think the Government will do something in this regard. Thank you.

SHRI JASWANT SINGH: Madam, I am grateful to the hon. Members for the views that they have expressed and the suggestions that they have given. The IDBI Bill is, now, in its final stages of consideration. It was introduced last year during the Winter Session of Parliament. I had introduced it in the Lok Sabha. The Standing Committee on Finance examined it thoroughly. It has been discussed and debated in the Lok Sabha. The Government and I personally benefited from the views of the hon. Members in this House. There are, again, four or five issues that are matters of concern to the hon. Members. I am not considering them in any hierarchy of importance. But, as they appeared, the IDBI must continue to retain its development finance role. The Government is committed to that. I agree. The IDBI, as such, was able to provide development finance, because it had access to easier money, therefore, it was able to provide easy credit. That is no longer available, not from now but for almost a decade or plus. And, therefore, when easy money is not available to the institution, how can it provide easy credit is an elementary logic. Its conversion into another entity will enable it to access easier money, and, therefore, provide easier credit. As for development bank, may I assure the hon. Members that the IDBI, as a bank, will continue to retain the development finance institution status? This has very clearly been enunciated in clause 3.3 of the proposed Bill. It is already there. There is no ambiguity in it. And, what the Parliament will enact will, therefore, be the guiding form, within which the IDBI shall continue to function.

The other concern, which the hon. Members have voiced, related to Government shareholding, that is, 51 per cent. May I assure the hon. Members that when this the IDBI converts into a bank after the approval of Parliament, today, it will immediately become subject to the

banking regulation? That is currently with the Standing Committee on Finance. And, there, it is mandatory. Unless that is amended, how can IDBI shareholding be reduced below 51 per cent? Therefore, hon. Members need not be concerned in that regard, till as such time as it is with the Standing Committee on Finance and it does not give its views regarding total shareholding in banks, whether they can be reduced below 51 per cent or not public sector banks, how can the IDBI be reduced below 51 per cent? Therefore, hon. Members need not have any anxiety in that regard. I have explained this aspect in the other House as well.

So far as the question of CRR and the SLR, which is a point raised by hon. Member, Virumbi, the CRR is controlled, as you know, by the Reserve Bank of India; and, in regard to the SLR the Government have taken a decision to grant a five-year exemption to the IDBI after conversion. So, the IDBI will not be bound by any SLR or CRR. They will apply to the Reserve Bank. The Reserve Bank will consider that aspect.

A point was raised regarding the re-capitalisation, Madam. The Government is certainly addressing the issue. It is already doing so. And, for the restructuring of liabilities of the IDBI, there is a commitment, by the Government, of Rs. 2,500 plus crores, over the next five years. In the current year, the Government has allocated about Rs. 770 odd crores for this purpose.

There is a natural anxiety about the current workers in the IDBI. This viewpoint has been expressed by some hon. Members. If the hon. Members would examine clause 5(1) of the Bill, they will find that this is a specific clause, which provides that the terms and conditions, rights and privileges, available to the officers and employees would continue to be enjoyed even after the conversion of the IDBI into a corporatised bank.

These were some of the principal issues that had been raised, here. So, I would like to urge upon the hon. Members that this is an important legislation. It is a very important financial institution. We need this institution in a very healthy form. It is an institution that will continue to provide development finance. It is a commitment of the Government to revive it to hearth, as we have endeavoured to revive other institutions.

With these words, Madam, I commend the Bill for consideration and passing by the House.

THE DEPUTY CHAIRMAN: Now, the question is:

"That the Bill to provide for the transfer and vesting of the undertaking of the Industrial Development Bank of India to, and in, the Company to be formed and registered as a Company under the Companies Act, 1956 to carry on banking business and for matters connected therewith or incidental thereto and also to repeal the Industrial Development Bank of India Act, 1964, as passed by Lok Sabha be taken into consideration."

The motion was adopted.

THE DEPUTY CHAIRMAN: We shall now take up clause-by-clause consideration of the Bill.

Clause 2 to 15 were added to the Bill.

Clause 1, the Enacting Formula and the Title were added to the Bill.

SHRI JASWANT SINGH: Madam, I beg to move:

"That the Bill be passed."

The question was put and the motion was adopted.

THE DEPUTY CHAIRMAN: Now, we have the Sick Industrial Companies (Special Provisions) Repeal Bill, 2003, listed here. But the Minister of Parliamentary Affairs told me that no time was allotted for it. So, we can defer it. The Business Advisory Committee will meet and decide the time to be allotted for that. And, then, we will take it up.

I have to make an announcement that at 4.30 p.m. there would be a statement by Shri Yashwant Sinha, Minister of External Affairs, regarding action against the Indian insurgent groups operating from Bhutan.

There is another legislation, that is, the Forward Contracts (Regulation) Amendment Bill, 1998, before me. We can take this up. I have the names of three speakers on this. They are: Shri Lalitbhai Mehta, Shrimati Sarla Maheshwari and Shri RG. Narayanan. Now, Shri Sharad Yadavji to move the Bill for consideration.